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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

JUL 8 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF GENERAL COUNSEL

In the Matter of)
)
AD HOC TELECOMMUNICATIONS)
USERS COMMITTEE)
)
Petition for Amendment of)
Part 36 and Part 69 of the)
Commission's Rules to Effect)
Comprehensive Reform of the)
Access Charge System)

RM-8480

AT&T COMMENTS

Pursuant to Section 1.405 of the Commission's Rules, 47 C.F.R. § 1.405, and the Commission's June 8, 1994 Public Notice, AT&T Corp. ("AT&T") submits these comments strongly supporting the petition filed by the Ad Hoc Telecommunications Users Committee ("Ad Hoc") for a rulemaking proceeding to consider and implement a comprehensive reform of the Commission's interstate access rules and policies.

Ad Hoc correctly identifies the need for broad-ranging reform of the Commission's access and separation rules to adapt that regulatory structure to current economic and technological realities. Although the Commission has already begun (or has been asked to begin) proceedings that address some limited aspects of its access charge rules, to date it has not undertaken a comprehensive rulemaking on access reform. In view of

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the widespread -- indeed, virtually universal -- recognition of the urgent need for sweeping access revisions, the Commission should promptly initiate such a proceeding to complement its other pending dockets.

The need for such comprehensive access reform has already been acknowledged across the entire spectrum of affected interests. The Commission received extensive comments on access reform proposals submitted last fall by the National Association of Regulatory Utilities Commissioners ("NARUC")¹ and the United States Telephone Association ("USTA").² Although the commenters there differed considerably concerning the specific measures that are necessary, there was no serious dispute about the need for wide-ranging reforms of access rules and related regulatory policies. Indeed, the Commission staff itself has acknowledged that the "significant regulatory, marketplace and technological changes" in the telephone industry since the early 1980s "may have rendered many of the access charge rules obsolete."³ Against this background, a comprehensive rulemaking on

¹ See NARUC Petition for a Notice of Inquiry Concerning Access Issues, DA 93-847, released August 3, 1993.

² See Petition of the United States Telephone Association for Reform of the Interstate Access Rules, RM-8356, released October 1, 1993.

³ Access Reform Task Force, Common Carrier Bureau, Federal Perspectives on Access Charge Reform: A Staff Analysis (April 30, 1993), p. 2.

access reform, such as the one Ad Hoc requests, is not only timely, but is long overdue.

The establishment of cost-based access rates has been an overarching goal of the Commission's access charge plan from its inception. To date, however, the attainment of that objective has been frustrated by the lack of effective competition, inaccurate or distorted jurisdictional allocations, and pervasive subsidies and other inefficiencies that now characterize the interstate access business. As Ad Hoc correctly points out (pp. 2-3), elimination of uneconomic subsidies is a prerequisite to the establishment of effective competition among interstate access providers, and AT&T believes that such competition, in turn, is essential to attaining cost-based rates and improved efficiency and innovation.

AT&T concurs with Ad Hoc's conclusion (pp. 3-5) that, due to the interrelationship and complexity of the several Commission regulatory mechanisms and policy objectives that underlie the access structure, meaningful change can best be realized by carefully coordinated reforms in such areas as universal service funding, jurisdictional separations procedures, and access pricing. The broad proceeding requested by Ad Hoc would facilitate the attainment of the Commission's cost-based pricing goals, without unduly or unintentionally

jeopardizing other crucial regulatory objectives that are intertwined with the access charge structure.

AT&T also shares Ad Hoc's concern (p. 5), however, that such a broad rulemaking should complement, and not supersede, other access-related proceedings already pending before the Commission, to avoid delaying progress towards resolving those matters. In particular, the Commission has instituted a proceeding to reevaluate the current Part 36 rules governing high cost assistance in order to address the unexpected, anomalous growth in the USF.⁴ Pending the completion of that review, the Commission has also capped the USF until January 1, 1996 to moderate further growth in high cost assistance.⁵

Similarly, a broad rulemaking on access reform should not further delay Commission action on AT&T's petition filed November 24, 1993 for changing the process for allocating USF obligations among IXC's to a revenue-based methodology, from the current presubscribed line-based approach. As AT&T showed in its petition, the current allocation methodology seriously distorts competition in the interexchange marketplace and imposes a disproportionate share of the USF subsidy burden on

⁴ Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, 8 FCC Rcd 7114 (1993).

⁵ Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, 9 FCC Rcd 303 (1993).

AT&T and its customers. No party that commented on AT&T's request seriously disputed that the current allocation methodology produces these effects, and no LEC objected to reallocation of high cost support obligations in the manner AT&T requests. AT&T's petition has been fully briefed and awaiting Commission action for several months.

The Commission should, therefore, move towards the prompt resolution of these individual proceedings with the comprehensive rulemaking proposed by Ad Hoc providing an "oversight" vehicle to coordinate these individual results with the more complex and interrelated policy issues that can be considered and addressed in that broader proceeding.

Finally, Ad Hoc is correct in acknowledging that comprehensive reform to eliminate uneconomic access subsidies will necessarily entail substantial modification to current separations rules, and thus could entail resort to Federal-State Joint Board procedures. To expedite access reform, Ad Hoc proposes (pp. 12-14) to "de-link" the separations and Part 69 rule changes and proceed with them on parallel tracks. AT&T agrees that to achieve cost-based access rates promptly, the Commission should conduct simultaneous rulemakings on Part 36 and Part 69 reform. To the greatest extent

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possible, the Commission should use its own processes to significantly reform those access rates which are within its jurisdiction. If a joint board is required for some additional matters, the Commission should also attempt to expedite the joint board process to assure that all aspects of comprehensive access reform can be implemented as quickly and as contemporaneously as possible.

WHEREFORE, for the reasons stated above, the Commission should institute the rulemaking proceeding requested by Ad Hoc to implement comprehensive reform of the Commission's separations and access charge rules, in conjunction with other pending proceedings.

Respectfully submitted,

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July 8, 1994

CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that
on this 8th day of July, 1994, a copy of the foregoing
"AT&T Comments" was served by U.S. first class mail,
postage prepaid, upon the parties listed below.

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